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OTHER BUSINESS

(a) Specific actions related to the particular needs and problems of land-locked developing countries

Progress report by the UNCTAD secretariat

GE.97-51322

CONTENTS

		Paragraphs
I.	INTRODUCTION	1 - 4
II.	ACTIVITIES OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT	5 - 27
	A. Review of the progress in the development of transit systems in the land-locked and transit developing countries	5
	B. Consultative group meetings of land-locked and transit developing countries	6 - 8
	C. Other UNCTAD activities	9 - 27
	1. Review of the Northern Corridor Transit Transport Agreement	9
	2. ASYCUDA	10 - 13
	3. Advance Cargo Information Systems (ACIS)	14 - 18
	4. Central Asian external trade and transit initiative: rebuilding the silk road	19 - 22
	5. Expert Meeting on information technology	23-27
III.	ACTIONS BY INDIVIDUAL COUNTRIES AND INTERNATIONAL AND INTERGOVERNMENTAL ORGANIZATIONS ON BEHALF OF LAND-LOCKED DEVELOPING COUNTRIES	28 - 36

I. INTRODUCTION

1. In paragraph 15 of its resolution 50/97, the General Assembly welcomed the note by the Secretary-General and the progress report of the secretariat of the United Nations Conference on Trade and Development on specific actions related to the particular needs and problems of land-locked developing countries[1] and requested the Secretary-General of the United Nations, together with the Secretary-General of the United Conference on Trade and Development, to prepare a further report on the implementation of the resolution and submit it to the Trade and Development Board and to the General Assembly at its fifty-second session.

2. In paragraph 9 of the same resolution, the General Assembly took note of the report of the Second Meeting of Governmental Experts from Land-locked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions, held in New York from 19 to 22 June 1995[2], and endorsed the Global Framework for Transit Transport Cooperation between Land-locked and Transit Developing Countries and the Donor Community contained therein. In paragraph 11 of the resolution the General Assembly requested the Secretary-General to convene in 1997 another meeting of governmental experts from land-locked and transit developing countries and representatives of donor countries and financial and development institutions, including relevant regional and subregional economic organizations and commissions, to review progress in the development of transit systems in the land-locked and transit developing countries and to explore the possibility of formulating specific action-oriented measures. The meeting was held under the auspices of UNCTAD from 18-20 June 1997 at the United Nations Headquarters in New York. The report of the meeting, including its conclusions and recommendations, is before the Board for its consideration (TD/B/44/7 - TD/B/LDC/AC.1/11).

3. In paragraph 13 of the same resolution the General Assembly noted with appreciation the contribution of the United Nations Conference on Trade and Development in formulating international measures to deal with the special problems of the land-locked developing countries, and urged the Conference, inter alia, to keep under constant review the evolution of transit transport infrastructure facilities, institutions and services, monitor the implementation of agreed measures, collaborate in all relevant initiatives, including those of the private sector and non-governmental organizations, and serve as a focal point on cross-regional issues of interest to land-locked developing countries. Furthermore, in paragraph 14 of the resolution the General Assembly invited the Secretary-General of the United Nations, in consultation with the Secretary-General of UNCTAD, to take appropriate measures for the effective implementation of the activities called for in the resolution. The recent activities of UNCTAD on behalf of land-locked developing countries in this regard are highlighted in section II of this report.

4. Paragraph 5 of the General Assembly resolution invited land-locked developing countries and their transit neighbours to intensify their cooperative arrangements and in paragraph 7 it invited donor countries and multilateral and development institutions to provide these countries with appropriate financial and technical assistance. Accordingly, the Secretary-General of UNCTAD requested these countries and institutions to provide him

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[1] A/50/341.

[2] TD/B/42(1)/11-TD/B/LDC/AC.1/7.

with information on the actions they had taken in this regard. This information is briefly presented in section III of the present report.

II. ACTIVITIES OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

A. Review of the progress in the development of the transit systems in the land-locked and transit developing countries

5. In order to facilitate the review of the progress in the development of transit systems by the above mentioned meeting of governmental experts convened pursuant to paragraph 11 of General Assembly 50/97, the Secretary-General of UNCTAD made arrangements, with the financial support of the UNDP, to undertake comprehensive regional and subregional analytical studies which highlighted recent developments on the transit transport sector of land-locked and transit developing countries and made recommendations for future action. These studies elaborated the programmes that have been underway to rehabilitate and maintain transit infrastructure and to improve the management practices and operations. They particularly focused on those programmes and projects that are being implemented in a subregional context. They also highlighted the new transit transport policy initiatives taken by individual countries. They also contained a number of priority capital projects and technical assistance programmes for which donor support is being sought.[3] The results of these studies as well as the contribution made by the regional economic commissions provided the basis for the preparation of the basic document made available to the above mentioned meeting of governmental experts (TD/B/42(1)/14).

B. Consultative group meetings of land-locked and transit developing countries

6. In paragraph 10 of General Assembly resolution 50/97 the Secretary-General of the United Nations Conference on Trade and Development was requested, in collaboration with the donor countries and institutions, in particular the United Nations Development Programme, the regional commissions and relevant subregional institutions, to organize specific consultative groups to identify priority areas for action at the national and subregional level and draw up action programmes. The process of these consultative meetings started with the holding of one such meeting for Mongolia and its transit neighbours, namely China and the Russian Federation. The Meeting which was organized by UNCTAD and the UNDP in close cooperation with the Mongolian Government, was held in Ulaanbaatar from 20 to 22 May 1997. Japan and the Republic of Korea also attended the Meeting as observers.

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[3] For more details see: Review of the Recent Progress in the Development of Transit Transport Systems in West Africa and Proposals for Future Action by Mr. K. Evlo, UNCTAD consultant (1997); Overview of the Recent Developments of the Transit Transport Facilities and Services for Rwanda's Exports and Imports by Mr. J.S. Nsabiyumva, UNCTAD consultant (1997): Review of the Progress in the Development of Transit Systems in East Africa and Proposals for Future Action by Mr. Stephen Wainaina, UNCTAD consultant (1997); Review of the Progress in the Development of Transit Transport in Southern Africa and Proposals for Future Action by Mr. A. Rugamba, UNCTAD consultant (1997); Review of the Progress in the Development of Transit Systems in Nepal, Bhutan and Lao People's Democratic Republic and Proposals for Future Action by Mr. V. Raman, UNCTAD consultant (1997); and, Review of the Progress in the Development of Transit Systems in Latin America and Proposals for Future Action by Mr. R.P. Castellon, UNCTAD consultant (1997).These reports are available in the UNCTAD secretariat.

7. The Meeting discussed the recent developments which had taken place in the subregion in the light of the Global Framework for Transit Transport Cooperation between Land-locked and Transit Developing Countries and the Donor Community which had been adopted at the second meeting of intergovernmental experts.[4] In this regard, the meeting firstly reviewed the various fundamental elements of the transit transport policy framework, which would ensure the establishment of a viable environment that is conducive to improved transit efficiency. These included the improvement of current bilateral transit agreements, the promotion of a complementary comprehensive subregional agreement and international transit conventions and agreements, the development of alternative routes, the commercialization of transit services and the development of the potentials for expanded subregional trade. Secondly, the current physical weaknesses of the transit transport infrastructure and the proposals for further improvements were addressed. Furthermore, the Meeting emphasized the role that external assistance should play in providing support for the implementation of the priority programmes agreed at the Meeting. The outcome of the Meeting was the adoption of the "Ulaanbaatar Memorandum of Understanding", which contains the highlights of the issues outlined above.

8. The consultations between other land-locked countries and their transit neighbours in Africa and Latin America were held within the framework of existing institutional arrangements under the various subregional schemes. The regular meetings of the Southern African Transport and Communications Commission (SATCC), the Northern Corridor Transit Transport Authority in East/Central Africa, the Ministerial Conference of West and Central African States on Maritime Transport (MINCONMAR) and of the Southern Cone Common Market (MERCOSUR) in Latin America have served as fora for exchange of views on priority areas for action to improve the transit transport systems. These include the further development of missing links in the transit transport infrastructure network, the maintenance of existing facilities, the removal of non-physical barriers such as cumbersome transit procedures and regulations, which still constitute a serious constraint on some of the transit corridors, the strengthening of mechanisms to effectively implement subregional transit agreements, the continued liberalization of transit services and greater involvement of the private sector in transit transport operations. In Central Asia recent meetings to discuss the possibilities for establishing a framework for a subregional transit agreement also offered an opportunity to discuss some of these priorities. In South-East Asia regular transit bilateral consultations also address future transit transport requirements. During the New York meeting of governmental experts itself, informal discussions were also held by some experts from land-locked and transit developing countries.

C. Other UNCTAD activities

1. Review of the Northern Corridor Transit Transport Agreement

9. During the annual meeting of the Northern Corridor Transit Transport Authority in November 1996, the Governments of Burundi, Kenya, Rwanda, Uganda and the Democratic Republic of Congo (ex-Zaire) formally decided to extend the subregional transit agreement, which had expired in October 1996, for another 10 years. The member States, however, agreed that it was necessary to review some of the protocols in order to take into account the new developments in the transit system. They therefore requested the Permanent Secretariat of the Northern Corridor Transit Transport Authority in Mombasa, Kenya, to seek technical assistance to undertake this review. In view of UNCTAD's previous involvement in supporting this Permanent secretariat in this area, UNCTAD fielded a mission which drew up a work plan and time

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[4] TD/B/LDC/AC.1/6.

schedule for this review. The work plan envisages a series of national workshops in the individual member States which would discuss country specific transit transport policies and other actions that need to be taken into account in the review of the treaty. A subregional workshop is also proposed which is designed to harmonize views regarding new activities in the various subsectors. These activities will also reflect the role of private sector transit operators. Consultations are now under way with the secretariat regarding the follow-up activities.

2. ASYCUDA

10. Efficient customs formalities contribute in an important way to the expedient processing and clearance of goods in transit. Major benefits can be expected when neighbouring countries are using the same or compatible customs systems which facilitates the exchange of information and further reduce delays.

11. ASYCUDA projects address customs reforms, modernization and computerization using a modern software package which has been developed and is being implemented by UNCTAD. The major benefits brought about by these projects are streamlined customs procedures, faster clearance of goods, increased collection of revenue and up-to-date and reliable foreign trade statistics.

12. ASYCUDA projects are under way or completed in over 70 countries world wide including 14 land-locked countries as well as 15 transit countries. A specific transit monitoring module, using a set of messages based on international standards, is currently being developed for ASYCUDA with possibilities of links into ACIS, other cargo tracking systems and enforcement databases. The work of ASYCUDA was also discussed in the recent UNCTAD expert meeting on information technology (see paras. 23-27 below).

13. The development of ASYCUDA has been financed through contributions from Denmark, France, Germany, Italy, Japan, Norway, Spain, Sweden, Switzerland, United States of America, United Kingdom as well as UNDP, European Union, World Bank, Caribbean Development Bank and the Inter-American Development Bank.

3. Advance Cargo Information Systems (ACIS)

14. One of the main technical cooperation programmes between UNCTAD and the developing countries is the development and installation of the Advance Cargo Information Systems (ACIS). ACIS is the generic name given to a tool box of computer applications which constitute a transport logistics information system capable of addressing multimodal cargo transit and transport resource problems. It provides transport operators with reliable, useful and immediate data on transport operations, giving the whereabouts of goods and transport equipment.

15. Over the past two years, ACIS has been either partially or fully installed in the following land-locked and transit countries:

- **PortTracker**: In the ports of Tema (Ghana), Mombasa (Kenya) and Dar-es-Salaam (Tanzania) the Harbour Master and Gate Pass modules are being installed at various stages.

- **RailTracker**: By far more effort and resources have gone into the development and implementation of the railway module of ACIS, at the request of users. As a result of this approach, the following are the railway networks on which goods as well as rolling stock are being tracked: Senegal and Mali, Côte d'Ivoire and Burkina Faso; Ghana; Cameroon; Sudan; Kenya, United Republic

of Tanzania, and Uganda; TAZARA, Malawi, Zambia and the Democratic Republic of Congo; Bangladesh.

16. There is one rail network on which, for the moment, only rolling stock is being tracked: Ghana Railways.

17. The following benefits to the railways which are currently using the ACIS RailTracker have been confirmed both independently and by the users themselves:

- Comprehensive data is now available on-line for traffic and other managers. This includes such information as the position of wagons on the network; the number of broken down wagons; wagons loaded for more than three days; wagons in workshops, etc.

- Weekly/monthly reports for various managerial levels within the railway administrations can now be generated easily. This includes such information as weekly loading data; customer/commodity performance; average locomotive kilometre fuel issued; train transit time, etc.

- Customer information has drastically improved. In the past, it took 4-5 days to inform a customer about the whereabouts of his wagon; now this information can be provided instantaneously.

- Tangible positive results have been registered in wagon turn-around time, wagon availability and/or average repair time, wagon hiring charges, etc.

- The operational managements of transit and land-locked country railways, where networks are connected, have been integrated into the same system thereby facilitating the circulation of transit traffic.

18. ACIS has been funded largely by the European Commission. However, funding has also been provided in the past by UNDP, the World Bank as well as German and French development institutions.

4. Central Asian external trade and transit initiative: rebuilding the silk road

19. The Central Asian external and transit transport initiative, as elaborated in projects: KAZ/97/019; KYR/96/009/ TAJ/96/004/; TUK/96/007 and UZB/96/011 was launched in April 1995. The initiative aims at reducing transit costs facing the Central Asian Republics, thereby promoting their external trade and bolstering their economic growth.

20. The technical meeting on Central Asia's transit transport links with world markets held in Ankara, Turkey, from 7 to 9 November 1995 outlined a programme of reform designed to improve transit transport systems in Central Asia. A Transit Transport Framework Agreement was considered a corner stone of this reform programme.

21. The elaboration of the Transit Transport Framework Agreement took a decisive turn when a meeting of senior officials from the Central Asian Republics which met in November 1996 in Issyk-Kul, Kyrgyzstan adopted a common draft and agreed that the draft would form the basis for negotiations with their transit neighbours. This Transit Transport Framework Agreement outlines the regional transit transport cooperation arrangements including the development, maintenance and management of transport infrastructure and services and the harmonization of transit regulations and customs procedures and documentation. With regard to institutional arrangements the Framework

Agreement envisages the involvement of government institutions at all levels and the establishment of secretariat to help monitor the implementation of the various sectoral protocols of the Agreement.

22. The first negotiations between the Central Asian Republics and their transit neighbours have been scheduled in September/October 1997. Participating countries will include: Afghanistan, Armenia, Azerbaijan, China, Georgia, Iran (Islamic Republic of), Kazakstan, Kyrgyzstan, Russian Federation, Tajikistan, Turkey, Turkmenistan and Uzbekistan.

5. Expert Meeting on information technology

23. As mandated by UNCTAD's Commission on Enterprise, Business Facilitation and Development an Expert Meeting was held in May 1997 on the use of information technologies to make transit arrangements more effective. The expert meeting recalled that, despite the rapid progress in information technology, customs transit continues to be largely based on procedures involving the transmission of paper documents. The Meeting stressed the crucial contribution of information technology to the proper functioning of customs transit systems. The Meeting underlined that transport information systems of track transit cargo should be further enhanced with a view to automating data capture. The current lack of such systems in many countries jeopardizes the efficiency of transit transport operators; and it is also detrimental to the efficient performance of customs transit systems. The Meeting recalled the use of UNCTAD's Automated Systems for Customs Data (ASYCUDA) and Advance Cargo Information System (ACIS) in many countries at different levels of development. It agreed that the computerization of transit procedures could significantly contribute to speeding up the procedures and reducing their cost, for the benefit of trade, while enhancing the efficiency of Customs control and cargo tracking.

24. The Meeting believed that UNCTAD should, in cooperation with all other interested parties, work towards developing a transit module, in the context of ASYCUDA and ACIS.

25. The Meeting considered that the transit module could cover all functions of Customs control and transport monitoring of transit goods from the beginning to the completion of the transit operation, including the release of securities where appropriate. It should be open to similar computerized systems and, to the extent permitted by national laws, it should permit relevant access by trade and transport operators. Messages used should be based on existing international standards, in particular UN/EDIFACT. A group of countries both transit and land-locked, with a priority on LDCs, could be targeted to act as pilot sites for such an electronic transit module.

26. The Meeting also considered that UNCTAD should cooperate with the organizations involved in the development and maintenance of transit systems, in particular The United Nations Economic Commission for Europe, the European Commission, regional groupings in developing countries as well as relevant public and private sectors.

27. The Meeting recognized the need for a comprehensive customs transit system and an integrated cargo tracking system open to all operators. The Meeting also recognised that UNCTAD should pursue its support for current users of ASYCUDA and ACIS and pursue the development and further implementation, including the promotion and ongoing support for both systems.

III. ACTIONS BY INDIVIDUAL COUNTRIES AND INTERNATIONAL AND INTERGOVERNMENTAL ORGANIZATIONS ON BEHALF OF LAND-LOCKED DEVELOPING COUNTRIES

28. The information provided by several land-locked and transit developing countries, other developing countries and developed countries as well as international and intergovernmental organizations on activities related to the improvement of the transit transport systems is briefly highlighted below[5].

29. The land-locked developing countries outlined their country programmes to further develop the transit transport infrastructure including rehabilitation and maintenance of existing facilities and the development of missing links in the road transit network. They also elaborated the legal frameworks and administrative regulations governing the movement of transit cargo. It was generally emphasized that the existing bilateral and subregional transit agreements needed to be refined and reviewed to take into account the recent developments in the transit system such as the expansion of existing facilities, the establishment of inland container terminals (dry ports) and the use of new transit routes by rail, road and inland waterways. It was further pointed that the mechanisms for monitoring and enforcement of transit agreements need to be further strengthened. In this connection the importance of stricter controls of axle load regulations and maintenance procedures as well as the further harmonization and simplification of customs procedures and documentation and road user charges at the subregional level was particularly underlined. The need for the expansion of regional and national training programmes for transit transport managements and operators was also emphasized.

30. The transit developing countries elaborated the development programmes under way to improve the transit facilities they offer to facilitate the movement of transit cargo to and from their neighbouring land-locked States. These relate particularly to berthing facilities in ports, warehousing facilities, road and rail transit services and facilitation of customs clearance procedures and regulations in ports and across border points. Some of the countries also referred to preferential treatment accorded to land-locked countries with regard to charges levied on transit cargo and to trade preferences granted to land-locked countries. Special reference was made to the existence of bilateral and subregional transit agreements and arrangements between transit countries and the neighbouring land-locked countries, which generally constitute the legal framework within which the modalities for providing most of the above facilities and services are outlined and defined. Although the implementation of these agreements and arrangements varies, the commitment of most transit countries in general to improve transit services is unquestionable.

31. Several of the transit developing countries also outlined other measures undertaken to help improve transit transport efficiency including the liberalization of transit services. Many of them are deliberately encouraging competition in the transit transport sector particularly with regard to the road transit subsector where the role of private sector operators is increasing. Rail and port services are also increasingly being commercialized and the responsible institutions are being granted greater operational autonomy.

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[5] Detailed information contained in the replies is available in the UNCTAD secretariat. The regional and subregional studies carried out by UNCTAD in the land-locked and transit developing countries as part of the substantive preparations for the meeting of governmental experts provided additional information.

32. The responses of the international organizations were diverse. The regional economic commissions and the World Bank have significant programmes under way that are specifically targeted at financial and technical assistance to improve the transit transport infrastructures and the quality of transit services. Although the Bank generally offers such assistance within the framework of country infrastructure projects, special attention has also been given during recent years to some regional programmes particularly in sub-Saharan Africa. These programmes are also focused on improving the transit policy framework that encourages liberalization of transit services with a view to enhance operational efficiency in the transit transport sector. Initiatives to improve management practices and strengthen the legal and fiscal transit transport regimes are also being supported.

33. The regional economic commissions in Africa and Asia are implementing most of their assistance projects within the framework of the Transport and Communications Decade programmes. The bulk of the direct support of the commissions is, however, limited to technical assistance programmes largely funded by the UNDP. The recent focus of these programmes in Asia has been on assisting the land-locked developing countries of Central Asia to expand the current road and rail routes in order to promote subregional trade and transit transport links with the new potential transit neighbours. This assistance has also covered other areas related to transit facilitation through the improvement of the legal transit regimes. UNCTAD and UNDP are fully involved in the assistance provided in this area.

34. During recent years the ECA assistance programme has also focused on the monitoring of the implementation of the Decade projects to improve the physical transport infrastructure as well as providing direct technical assistance in such areas as transit facilitation, strengthening of transit legal frameworks, improvement of transit transport information systems, improvement of safety, security and navigation of inland waterways and the development of cooperative arrangements in the air freighting of industry.

35. Other international organizations elaborated their programmes of assistance to the land-locked developing countries in their respective areas of competence. ICAO outlined its activities to improve air transport facilities in various land-locked developing countries including the expansion of air transport services in rural areas. FAO outlined its technical assistance programmes to support food production, food security, forest resource management and the fisheries sector both at the country and subregional level, which are designed to enhance the supply capacity in these countries. The IMF has been heavily involved in supporting several land-locked countries by providing to their financial institutions technical assistance, enhanced structural adjustment facilities, stand-by arrangements, compensatory and contingency financing facilities, and training assistance.

36. The responses of the developed countries reflect the recent sentiments expressed by several donor countries which have actively participated in various international fora dealing with land-locked developing countries. There is a clear commitment of the former countries to promote programmes in most of land-locked countries which are designed to improve transit transport infrastructures and services. Many of these programmes are being implemented within the framework of subregional institutions such as SATCC in Southern Africa, ECOWAS, UDEAC in West Central Africa, the Northern Transit Transport Corridor Authority in East/Central Africa, MERCOSUR in Latin America and ECO in Asia. This approach encourages close cooperation between land-locked countries and their transit neighbours and enhances the commitment of both these groups of countries to strengthen and improve the implementation of their subregional transit agreements and other arrangements related to subregional trade.

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TECHNICAL COOPERATION ACTIVITIES: CONSIDERATION OF OTHER RELEVANT REPORTS

Report on UNCTAD's assistance to the Palestinian people

EXECUTIVE SUMMARY

This report reviews the work of the UNCTAD secretariat in assistance to the Palestinian people since 1995, in accordance with its mandate and work programme in this respect. Part I of the report reviews the policy environment affecting the Palestinian economy, including the positive developments of the peace process amidst continued political and security uncertainty, regulatory and institutional developments as well as regional and international dimensions. This is followed by an examination of major aggregate economic developments, with particular focus on the Palestinian external trade sector. Part II provides a comprehensive account of recent orientations in UNCTAD secretariat activities on assistance to the Palestinian people. This Part focuses on operational activities, in the context of UNCTAD's Programme of Technical Cooperation Activities in Support of Palestinian Trade, Finance and Related Services, undertaken during the period 1995-1997 in the interrelated areas of Palestinian private-sector development and institution building.

The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.

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CONTENTS

		Paragraphs
Preface		1 - 2
PART I.	RECENT DEVELOPMENTS IN THE PALESTINIAN ECONOMY, 1995-1997	3 - 18
	A. The policy environment affecting the Palestinian economy	3 - 8
	B. Aggregate economic performance	9 - 12
	C. Palestinian merchandise trade: recent performance and immediate prospects	13 - 18
PART II.	RECENT ORIENTATIONS IN UNCTAD'S ASSISTANCE TO THE PALESTINIAN PEOPLE	19 - 35
	A. UNCTAD's programme of technical cooperation activities	19 - 22
	B. Technical cooperation activities undertaken during the period 1995-1997	23 - 33
	1. Private sector development	24 - 27
	2. Institution building	28 - 33
	C. Recent analytical activities and future work programme of the secretariat on assistance to the Palestinian people	34 - 35
Notes		

Preface

1. In accordance with UNCTAD's mandate for work on the economy of the occupied Palestinian territory, 1/ as envisaged in the secretariat's 1996-1997 work programme and as requested by the Trade and Development Board at its fourteenth executive session, this report has been prepared covering UNCTAD's assistance to the Palestinian people during the period July 1995 - June 1997. The content and orientation of the secretariat's work programme on this subject has developed since its inception in 1985, in tune with the changing situation and needs of the Palestinian people. The achievements of the Middle East peace process since 1993 promised new opportunities for the revival and development of the Palestinian economy. This coincided with the completion of the UNCTAD secretariat's intersectoral research project, initiated in 1990, on prospects for sustained development of the Palestinian economy in the West Bank and Gaza Strip. The findings of the project have been published in reports and studies since 1993, providing policy recommendations and proposals for action by the Palestinian Authority and others concerned. The project laid the basis for the elaboration of a programme of technical cooperation activities in support of Palestinian trade, finance and related services.

2. The growing focus of UNCTAD's assistance to the Palestinian people through technical cooperation activities is both a natural outcome of its analytical work since 1985 and its response to the urgent requests of the Palestinian Authority (PA). While the relevance and impact of the secretariat's technical cooperation activities are enhanced by its analytical capacities, the actual progress of technical assistance activities is subject to the influence of different factors. These include political and security uncertainty, the pace of Palestinian efforts at reconstruction, development and institution-building, as well as resource availabilities affecting the extent of such activities. In order to place UNCTAD's assistance in an appropriate context, this report briefly examines recent developments in the Palestinian economy, including the Palestinian external trade sector. This provides the basis for a detailed account of progress in the work under way on technical cooperation activities carried out by the secretariat since 1995 at the request of the PA and drawing upon UNCTAD's specific areas of expertise.

Part I

RECENT DEVELOPMENTS IN THE PALESTINIAN ECONOMY, 1995-1997

A. The policy environment affecting the Palestinian economy

3. Two powerful, yet opposing, factors have influenced the overall policy environment underlying the recent performance and immediate prospects for the revival of the Palestinian economy in the West Bank and Gaza Strip. On the one hand, Israel-Palestine economic accords since 1993, in particular the Protocol on Economic Relations, set the scene for a significant transformation in relations between the two parties and in the policy environment affecting Palestinian economic activity in several key spheres. 2/ On the other hand, the parties have yet to resolve a range of outstanding issues, falling mainly outside the economic domain, against a backdrop since 1996 of violence and strict security measures. The Palestinian economy, weakened by prolonged

negligence and isolation, is thus increasingly dependent on the changing fortunes of the peace process, exhibiting accelerating entrepreneurial activity and growing investor confidence in times of progress, and suffering from contraction in business activity and income loss in periods of stalemate.

4. The vulnerability of the Palestinian economy to the interaction of such factors has been compounded by a range of inherent weaknesses coupled with the absence of an adequate regulatory and institutional framework at the public and private sector levels. Some progress has been made by the Palestinian Authority (PA) since 1995 with regard to drafting essential legal instruments governing economic activity in areas such as private investment, enterprise activity, banking, public finance, industrial zones, standards and safety, civil service and intellectual property. However, most are not yet formally adopted and procedures and institutions to ensure their application are yet to be established. The pace and orientation of institution-building in the public sector alone has been subject to the influence of a variety of factors which reflect the difficulties of isolating the development of effective PA institutions from the realities imposed by political exigencies, economic pressures and human resource limitations. The emerging private sector has on the other hand exhibited resilience and capacity to adapt to a still-uncertain policy environment. This has involved intensified cooperation with PA institutions to establish the basis for a liberal, modern and efficient Palestinian economy, capable of meeting the challenges ahead.

5. Notwithstanding the efforts made, repeated closures of the Palestinian territory since 1996 signify the interplay of forces promoting or inhibiting economic activities. A prominent example is the sensitive investment climate, which had begun to stabilize in 1995 following the adoption of a Law for the Promotion of Investment, the consolidation of the local banking system and related regulatory and institutional developments. 3/ Events on the ground since 1996 have prompted caution on the part of investors and financial institutions, that remain in need of sustained political, legal and institutional stability. Nevertheless, moves such as the opening of the Palestinian Securities Exchange in early 1997 continue to indicate the commitment of the private sector to develop in cooperation with the PA the full range of institutions and instruments required for vibrant and efficient financial intermediation and enterprise development.

6. Despite the opportunities offered by post-1993 trade accords with Egypt, Israel, Jordan and other partners, prolonged obstacles and complex procedures affecting the movement of goods have highlighted the weaknesses in the orientation of the external trade regime, calling for the strict application or re-negotiation of accords with trading partners. 4/ In particular, aspects of the Israel-Palestine accords covering movement of labour, trade and customs and other duties are considered to require serious scrutiny by both sides as they move to reinvigorate economic relations in the coming period. While current preoccupations embrace the interrelated issues of trade policy and practices, options facing the PA with regard to the former continue to be dominated by the day-to-day realities imposed by the latter. In the immediate, it appears that more progress can be made in improving the application of existing accords governing the economy than in revising the terms of the accord for the interim period due to end in 1999. Meanwhile,

in the context of preparations for final status negotiations with Israel, the future of Palestinian economic strategies, policies and relations is a subject of growing interest to decision makers in the public and private sectors. 5/

7. The reconvening of the Israeli-Palestinian Joint Economic Committee since late 1996 reflects a clear recognition by the parties of the need to deal with outstanding issues that hamper progress in the interim period. A number of measures have been since instituted, including enhanced border facilities for movement of merchandise trade with/through Israel and with Jordan and Egypt, addition of new items to and quantities of Palestinian imports from abroad, 6/ and improved arrangements for travel of Palestinian businessmen to Israel. Meanwhile, the economic and trade accords of 1994 between Palestine, Egypt and Jordan have helped to lay the basis for improved financial and trade flows and enhanced economic cooperation with these partners. Recent initiatives in the context of a plan by the League of Arab States to facilitate and invigorate inter-Arab trade and to establish an Arab Free Trade Area carry a particular importance for the future of Palestinian economy, including trade expansion.

8. The gradual emergence of a distinct Palestinian economy is further strengthened by the signing of an Interim Agreement on Trade and Cooperation between the European Union and the Palestinian Authority in early 1997, and bilateral economic and trade negotiations with a number of emerging trading partners. These include Canada, European Free Trade Association, the Russian Federation, and the United States of America. The international dimension of the Palestinian development effort is also exhibited in the high profile multilateral aid programme administered by the World Bank, in coordination with the United Nations, and in close consultation with the Palestinian Authority. Of a total of $3,439 million pledged by the international community for 1994-1998 to assist the Palestinian reconstruction and development effort, $2,799 million had been committed and $1,514 million disbursed by 1997: a disbursement rate equal to 44 per cent of pledges. 7/

B. Aggregate economic performance

9. Since 1993, several sources have issued statistical series on the Palestinian economy based on different methodologies and assumptions. 8/ Owing to divergences in methodologies and estimates by different sources, it appears useful to draw upon the range of available estimates in attempting to identify common elements of an assessment of the Palestinian economy. 9/ In the period 1995-1997, aggregate economic indicators exhibited trends consistent with those prevailing in previous years, with an overall adverse impact on standards of living. The high exposure and vulnerability of the economy to external shocks continue to reveal major structural weaknesses. These include weak domestic employment capacity, uneven sectoral growth, weak intersectoral articulation, severe marketing bottlenecks, poorly coordinated and fragmented new investments in both public and private ventures and structural imbalances among macroeconomic aggregates. These features become more critical when viewed against stagnation in income and growing poverty among marginalized segments of the population. Human resource development and growing unemployment since 1992 have posed critical challenges for the performance of the economy, with important political, social and economic ramifications. Quarterly unemployment rates in 1996 ranged from 29 per cent

in periods of strict closure to 19 per cent during periods when Palestinian workers were able to reach jobs in Israel. 10/ Only since late 1996 has a gradual reduction of critical rates of unemployment been possible, through short-term employment generation alternatives including relief-work programmes, and further relaxation of closure measures in 1997.

10. Palestinian gross domestic product (GDP) in 1996 is estimated at $3.4-$3.9 billion, by different sources. The sectoral structure of the economy has remained essentially the same since 1992, with transport, trade and private services accounting for the largest share of GDP. Notwithstanding new investments since 1993 and improvements in the institutional and regulatory framework, no clear positive impact is noted on such structural aspects as the size and share of the industrial sector, agricultural diversification or emergence of new producer services. While positive growth rates of real GDP of over 7 per cent annually are noted in most years since 1992 (generated in construction, agriculture and public services), Gross National Product (GNP), has stagnated owing to a contraction in labour income from Israel since 1992. GNP is estimated at $4.1-$4.4 billion in 1996. The decline in the scale and significance of such income has not been matched by adequate external transfers and their deployment into employment and output generating investments. While restructuring and reinvigorating domestic output are essential to sustained growth and long-term development, external income and investment are needed to ensure rapid recovery and lay the foundation for sustained growth. The need for promoting domestic and foreign private investment and improving its allocation thus remains a top priority for domestic policy makers and for international assistance in this regard.

11. The low export ratio, of 10 to 15 per cent of GDP, is well below pre-1988 levels of 25 to 35 per cent. A large deficit in trade of around 45 per cent of GDP in 1996 reflects a precarious external payments position which exerts a considerable burden on the meager resources of the economy. The decline in factor income from abroad, coupled with high and growing private and public consumption in recent years, has thus restrained domestic savings. Investment levels since 1993 have yet to surpass those of preceding years: investment in 1996 is estimated at $600-$1,000 million (equivalent to 15-30 per cent of GDP). Intensive investment in private residential construction still accounts for the bulk of investment despite a growing share of public investment in infrastructures, financed largely through official transfers since 1994.

12. According to some calculations, losses sustained in income in 1996 as a result of the closure and related measures are estimated at around $600 million, a magnitude which is lower than estimates by other sources. 11/ This is equivalent to some 20 per cent of GDP and 15 per cent of GNP in 1995, and to over 70 per cent of private investment in 1996. However, by most accounts, the real decline in GNP in 1996 was between 3 and 6 per cent (and even higher on a per capita basis), rates which imply that factors such as GDP recovery in late 1996 helped to mitigate income losses. 12/ Greater stability in the policy environment in 1997 could allow the recouping of 1996 losses from both domestic and external sources. Thus the need for vigorous attention to developing the regulatory and institutional framework governing the economy and the mobilization of financial resources. Prolonged economic hardship and

uncertainty would at best reduce public confidence in the "peace dividend", and at worst produce economic stagnation and deprivation that could undermine the peace process.

C. Palestinian merchandise trade: recent performance and immediate prospects

13. As noted above, measures aimed at influencing the performance of the Palestinian economy since 1993 have not reversed a long-term decline in the export sector, nor counterbalanced a sustained growth in imports. Underlying these trends are a range of infrastructural, institutional and procedural impediments to free access to export markets, as against an open and largely uncontrolled exposure to imports from one predominant trading partner. This process, which began to unfold in the early 1980s, has created a growing trade deficit which highlights the challenges of developing export capacities.

14. This may be most graphically illustrated by comparison of estimated data for 1996 with figures for 1981, the year in which Palestinian export performance was at its strongest amidst steady economic growth (see table 1). 13/ Total merchandise exports in 1996 are estimated at $265 million, down from $400 million in 1981. Out of a total value of trade in 1996 of almost $2,000 million, exports represented only 13 per cent, down from 36 per cent in 1981. Since 1981, imports more than doubled, from $748 to $1,725 million while the merchandise trade deficit grew almost five-fold, from $350 million to almost $1,500 million. This translates into a merchandise trade deficit whose proportions grew from 35 per cent of GDP in 1981, to around 45 per cent by 1996. When trade in non-factor services is examined, the position of the Palestinian economy appears even more precarious, owing to the greater proportion of imports of non-factor services as compared to exports.

Table 1: West Bank and Gaza Strip merchandise trade, 1992-1996
(in current million US dollars)

	1992	1993	1994	1995	1996
Merchandise exports total	**292**	**234**	**243**	**326**	**266**
- to Israel	249	178	205	306	235
- to rest of world	43	56	38	20	31
Merchandise imports total	**1 260**	**1 173**	**1 075**	**1 690**	**1 725**
- from Israel	1 106	1 015	920	1 520	1 550
- from rest of world	154	158	155	170	175
Merchandise balance total	**-968**	**-938**	**-832**	**-1 364**	**-1 459**
- with Israel	-857	-837	-715	-1 214	-1 315
- with rest of world	-111	-101	-117	-150	-144

Source: UNCTAD secretariat estimates (see note 13).

15. Another feature of the deteriorated Palestinian external trade sector is the almost total concentration of trade with one partner. Whereas trade with Israel in 1981 accounted for 85 per cent of total Palestinian imports and exports, that proportion now stands at around 90 per cent. While in 1981 a total of $111 million, or 28 per cent, of exports were destined for Jordanian, other Arab and international markets, by 1996 these markets absorbed $31 million, or only 12 per cent, of Palestinian exports. Thus, from a position of a small trade surplus ($33 million) with markets other than Israel in 1981, the Palestinian economy today has a $144 million trade deficit with the rest of the world, and a $1,315 million deficit with Israel.

16. Success in redressing the chronic Palestinian trade imbalance, and gearing the economy towards a viable external payments position, is a crucial task of the reconstruction effort now under way. Sustainable growth and development of the economy cannot be achieved unless it undergoes a transformation in which the export of goods is increasingly substituted for the export of labour as a source of foreign exchange. The merchandise trade sector has to play a pivotal role of freeing the economy from unreliable sources of income. Owing to the interplay between changes in trade patterns and those in domestic output, the revival and reorientation of Palestinian external trade is contingent upon improvement in three areas: capacity, competitiveness, and accessibility. Revitalizing the trade sector involves policies to increase the capacity for production, remove distortions in the cost-price structure, re-establish entry into neighbouring markets and gain access to new ones. These formidable tasks cannot be completed during the remaining years of the interim period which are insufficient to effect such a comprehensive transformation of production and trade. Of course, the current policy framework does have positive elements which allow Palestinian trade to become more vibrant and gradually assume the role of a growth generating sector. For the moment at least, conditions must be created to exploit these to the full.

17. Rebuilding the physical infrastructure is crucial to creating the supportive system, without which trade activities are destined to be limited. Of high priority is the transportation and communication systems and general marketing facilities. Specialized export institutions for agricultural and industrial products are urgently needed to provide information, technical expertise and guidance to producers, especially small businesses. Technical problems related to quality control and standards, grading, storage, packing, etc. need attention so as to upgrade Palestinian products to international standards. Customs and related trade procedures require streamlining and simplification to enhance trade efficiency and to reap the potential benefits of trade accords. These are all priority areas for domestic reform and international assistance, especially technical cooperation.

18. The other major task during the interim period is to re-establish trade with the markets of neighbouring countries. Here also, the PA and the trading community need assistance in policy development and implementation, increased exposure to new international trading modalities and business practices, and systematic development of human resources for enhanced trade operations. By granting the PA the right to set its own tariffs on a list of goods imported from Egypt and Jordan, the Protocol has set the scene for the acquisition of reciprocal preferential treatment for some Palestinian exports to those

markets. The Protocol also removed direct quotas and most non-tariff barriers to the Israeli market, with the exception of certain important agricultural exports until 1998. This opening of neighbouring markets ought to be diligently exploited, as the first step towards the reintegration of the Palestinian economy into the region, coupled with equally vigorous efforts to exploit new markets that have accorded preferential treatment to Palestinian exports. In light of these considerations, the Palestinian economy needs to adopt an increasingly outward export-oriented strategy and to diversify the composition and direction of trade. Hence, there is a special interest in improving its opportunities for integration within the regional and global economy, while carefully considering the costs that would ensue from increased economic policy liberalization and harmonization with the emergent international trade system. 14/

Part II

RECENT ORIENTATIONS IN UNCTAD'S ASSISTANCE TO THE PALESTINIAN PEOPLE

A. UNCTAD's programme of technical cooperation activities

19. Parallel with developments in the Palestinian territory since 1993 and the establishment of the Palestinian Authority (PA) in 1994, the work of the secretariat on the Palestinian economy has evolved, with an increasing emphasis on operational activities. The aim of this reorientation has been to assist the nascent PA and the private sector through a range of technical cooperation activities in key problem areas affecting trade, finance and related services, as outlined in Part I. Thorough consultations were held with the PA aimed at identifying priority areas where UNCTAD could provide assistance. Accordingly, a comprehensive Programme of Technical Cooperation Activities of a modular nature was developed, guided by the findings of UNCTAD's intersectoral research project on prospects for sustained development of the Palestinian economy. 15/ Following its endorsement of the Programme, the PA requested UNCTAD in 1995 to extend technical assistance in specific priority areas.

20. In response, the secretariat immediately prepared for the fielding of advisory missions to assess the nature and extent of assistance required. Parallel with this, and in a move to coordinate efforts with other organizations, the secretariat established contacts with the United Nations Special Coordinator in the Occupied Territories (UNSCO), bringing to his attention the Programme and areas in which the secretariat had commenced work. At the same time, action was also taken towards the mobilization of resources for the implementation of the Programme. Accordingly, the Programme along with its cost estimates was presented by UNCTAD in 1995 to over 50 multilateral and bilateral potential sources of funding, including most members of the Consultative Group (CG) of Donors formed following the signing of the Declaration of Principles in 1993.

21. Based on the findings of the missions undertaken by UNCTAD in response to the requests of the PA (see below), the secretariat prepared summary project proposals, including their tentative costing, which were submitted to the concerned PA Ministries/Departments and to UNSCO at its request. These

proposals have been endorsed by the concerned Ministries of the PA, and submitted in July 1997 to UNSCO and the PA for inclusion in the "Palestinian Development Plan, 1998-2000 (PDP)" to be presented by the PA to the forthcoming meeting of the CG, for which the World Bank serves as a secretariat and at which the United Nations is represented by UNSCO. It is hoped that enhanced coordination arrangements in 1997 will result in an improved representation of the United Nations organizations in projects approved for funding by the CG.

22. As the experience of UNCTAD shows, the process of matching priority projects with donor commitments and preferences has been slow to develop and individual organizations of the United Nations have not been able to maintain as direct a dialogue with the donor community on this subject as on other issues. The CG mechanism appears to have its merit as far as the donors and the PA are concerned, that of ensuring a broadly harmonized approach to the allocation of resources from the pledges made. Meanwhile, since 1993 the agencies of the United Nations system have been called upon by the General Assembly to intensify their assistance to the Palestinian people in their respective areas of competence. 16/ Since the assistance required cannot be fully met through the regular budgets of these organizations, an increasingly participatory approach to technical cooperation in close partnership with the PA and the donor community is needed to enable the organizations of the United Nations to respond positively to General Assembly resolutions and the requests of the PA in priority areas.

B. Technical cooperation activities undertaken during the period 1995-1997

23. At the request of the PA and within the limits of available resources, the secretariat has fielded a number of advisory missions to the Palestinian territory since 1995. The main aim of these missions was to assess and advise on immediate needs, discuss the extent of further assistance required and elaborate follow-up action in each area. Ten priority areas identified by the Palestinian Authority and falling under two of the six priority sectors of the United Nations were covered:

1. Private sector development

(a) Export processing zones/industrial estates

24. Upon the request of the PA, a mission was fielded in 1995 to investigate the possibilities of establishing export processing zones/industrial estates along with their legal framework, institutional infrastructures and operational procedures. Based on the findings of the mission, detailed proposals were made, covering industrial estates, private investment laws and regulations and related institutional aspects. Subsequently, an inter-agency mission to the Palestinian territory, undertaken in 1996 regarding an industrial estates programme, entrusted UNCTAD with the task of: (i) developing a project proposal for the establishment of an industrial estate in Nablus, the West Bank; and, (ii) examining the requirements of an "enabling framework" for establishing industrial estates, including the

finalization of the Law for the Encouragement of Private Investment. As a first step, a project proposal for the feasibility study of an industrial estate in Nablus was prepared by UNCTAD. The project is aimed at developing expertise and consensus on policy and regulatory options, as well as creating the infrastructural, institutional and managerial capacities needed for the establishment and operation of the industrial estate. As such, it is designed to serve as a model for the development of further industrial/export processing zones in other parts of the West Bank and Gaza Strip. The first phase of the project is currently under implementation through UNDP financing, in close consultation with the PA Ministry of Industry.

(b) International procurement of strategic food commodities

25. In response to a PA request, UNCTAD fielded a mission to the Palestinian territory in 1995 to assist the PA in designing a mechanism for international procurement of strategic food commodities. Following thorough consultations with relevant organizations of the PA and representatives of the private sector, the mission was able to: identify commodities to be covered under the procurement scheme and assess the magnitude of their current and future supply and demand situation; ascertain the extent of procuring such commodities through imports, including their quantities price structures, transport, tariffs and other charges applicable; design an appropriate mechanism; and, identify sources of financing such procurements. The mission also outlined a number of measures for immediate action within the frame of a technical assistance project, including a seminar on commodity trading and commodity supply management. Following endorsement of the project by the PA Ministry of Supply, consultations are under way with regard to the possible holding of the seminar and other project activities.

(c) Strengthening trade efficiency (Trade Points)

26. At the request of the PA, UNCTAD fielded a mission to the Palestinian territory in 1995 aimed at exploring the possibilities of introducing trade efficiency measures, including trade facilitation procedures and information systems. The following aspects of the subject were discussed with public and private sectors concerned: the functioning and advantages of the Trade Point concept and its relevance to the Palestinian trading environment; technical issues related to trade efficiency and the establishment of Trade Points; the advantages of linking Palestinian Trade Point(s) to other Trade Points in the region and to the Global Trade Point Network; and, a strategy for the implementation of trade efficiency measures in the Palestinian territory. Accordingly, a number of recommendations and corresponding measures have been outlined for immediate action by PA and UNCTAD. Two private sector-driven Palestinian Trade Points are thus envisaged, one in the West Bank and the other in Gaza Strip anchored with two trading institutions and a PA focal point for coordination. The close involvement of the private sector, possibly as active partners in the ownership and operation of the Trade Points, is an important element in their success. This would be followed by the development of related institutional and operational guidelines and a detailed training programme. The PA Ministry of Economy and Trade is currently seeking funding for this project, in consultation with the UNCTAD secretariat.

(d) Strengthening capacities of the domestic insurance sector

27. At the urgent request of the PA, a mission was fielded to the Palestinian territory in 1996, to discuss with the relevant PA and private sector organizations concerned with the domestic insurance sector. As motor vehicles accounted for approximately 90 per cent of all written insurance business, the mission investigated a wide range of related technical, institutional, legal and operational issues. Accordingly, a set of legal, institutional, managerial and operational measures for follow-up by the PA and UNCTAD have been outlined. These included the activation of the Road Accident Victim's Compensation Fund, establishment of a control mechanism to ensure compliance as regards premiums and compensations, adherence to standard and periodicity of reporting by insurers, strict application of licensing requirements including tests of competence and training needs, consolidation of insurance laws and regulations, and developing the technical capabilities of officials involved in the formulation of insurance policy and determination of premiums and their allocation. Consultations are under way with the PA Controller of Insurance on the implementation of the measures outlined.

2. Institution building

(a) Developing managerial and institutional capacities for operation of the Gaza Commercial Sea Port

28. Following the signing of the Israeli-Palestinian economic accords, in 1994, improvement of the infrastructure in general and of the transport system in particular was accorded priority in the rehabilitation and reconstruction programme of the PA. Based on a number of technical studies undertaken and as agreed in the accords, the PA began to plan for the development of a commercial seaport in the Gaza Strip. UNCTAD's assistance was solicited by the PA in the building-up of the institutional, technical, managerial and operational capacities as related to port and shipping activities within the PA as well as the establishment of Gaza Seaport Authority. A mission fielded by UNCTAD to the Palestinian territory in 1995 identified areas for technical assistance in two phases, i.e. (i) the development phase of the seaport, and (ii) the initiation phase to enable the seaport to become operational. This included development of organizational structures, of preparation of a comprehensive Maritime Code, including a Port Act; development of human resources through programme training (TRAINMAR), and, advice on technical matters, including international maritime and multimodal transport. The details of these issues provided elements for the preparation of a proposal for technical assistance, which remains under consultation with the PA.

(b) Compilation of comprehensive and up-to-date statistical series on Palestinian international trade

29. With the establishment of the Palestinian Central Bureau of Statistics (PCBS), the PA provided the necessary institutional framework for the compilation and dissemination of statistics in vital economic and social sectors. The development of a system for international trade statistics

constituted one of the prime objectives. At the request of the PA, the secretariat launched a multidisciplinary mission to the West Bank and Gaza Strip in 1996 aimed at elaborating a framework for future technical assistance in the related areas of foreign trade statistics, customs administration, and trade policy. As for trade statistics, the mission focused attention on: (i) ascertaining the technical capabilities and work plan of the PCBS with regard to the compilation, processing, analysis, and dissemination of Palestinian foreign trade statistics; (ii) identifying the nature and extent of needs of the PCBS for technical assistance in the area of international trade statistics; and, (iii) developing relevant proposals for manpower training. Follow-up activities were accordingly designed to be carried out over three different phases (immediate, medium and long terms) for the development of a comprehensive and up-to-date statistical series on Palestinian external trade. Work under each phase is envisaged to be coordinated with the efforts of other organizations concerned, namely, the International Monetary Fund, United Nations Statistical Department, EUROSTAT, World Trade Organization and others. These and other points emerging from the mission have provided the elements for the formulation of a project proposal for technical assistance which has received the endorsement of the PCBS and is awaiting funding.

(c) Strengthening technical and operational capacities in customs administration

30. Subsequent to the trade accords signed by the PA with Israel and other trading partners, customs administration was accorded priority within the Palestinian fiscal system. Both revenue and allocation considerations in the economy prompted the PA to solicit assistance from different sources, including UNCTAD, in designing and developing an appropriate and effective system of customs administration. UNCTAD's mission, fielded in 1996, was particularly focused on an investigation of: (i) the system and procedures currently adopted for the generation of customs and trade data; (ii) technical, financial and logistical requirements for introducing systems aimed at improving customs administration, collection of customs revenues and compilation of comprehensive trade data; and, (iii) other related aspects of customs administration, including the feasibility of computerization in customs administration and eventual installation of the Automated System for Customs Data (ASYCUDA). A range of measures were identified for follow-up by the PA and UNCTAD secretariat in two distinct areas: on the one hand, these include the (a) revision of the draft customs law, drafting of a customs tariff law, revision of the organization plan, formulating a training programme covering such areas as classification of goods, valuation, enforcement, physical examination and others as well as a well-defined recruitment policy, and procedures; and, (b) close examination of import/export procedures, including licensing and standardization of trade documents with the view to simplifying and streamlining the whole gamut of operations involved in export/import business. Accordingly, a project proposal for technical assistance in customs administration was prepared which has been further elaborated during a follow-up mission in 1997, leading to its endorsement by the PA Ministry of Finance and presentation for funding.

(d) The emerging international trading system and its implications for the Palestinian economy (UNDP/UNCTAD workshops in the Palestinian territory)

31. As part of the effort to establish and develop technical and managerial capacities for the formulation and implementation of trade policies, the PA had focused attention on the post-Uruguay Round developments and their implications for the Palestinian economy. UNCTAD's assistance was solicited by the PA Ministry of Economy and Trade in organizing workshops on the subject in the Palestinian territory along the lines of the national workshops organized by UNCTAD in Arab countries. The multidisciplinary mission launched in 1996, which dealt with issues relating to trade policy, held consultations with the PA on the substantive orientation of such a workshop and the scope of its work programme. Seven experts from UNCTAD, WTO and ESCWA participated in two workshops which were held in early 1997, one in the West Bank and another in the Gaza Strip, with different orientations necessitated by the economic realities prevailing in each of the two regions. The workshops were addressed to the officials of the PA Ministries concerned, as well as the Palestinian trading community and academic and research institutions. The workshops were organized within the context of the UNDP/UNCTAD regional programme for the Arab States Economic Integration and Trade.

(e) Guidelines for human resource development for trade - TRAINFORTRADE

32. As a direct follow-up to the UNCTAD/UNDP workshops held in the West Bank and Gaza Strip, the TRAINFORTRADE programme at UNCTAD was called upon to provide technical assistance in the priority area of human resource development for trade. The preliminary outline of a project proposed by the secretariat in this respect covers training needs analysis and assessment, advisory services on a human resource development strategy for trade, preparation of training materials, organizing TRAINFORTRADE workshops on a number of key topics, and, advisory services on strengthening local training capacities and enhancing regional training links. The PA Ministry of Economy and Trade is currently seeking funding for this project, in consultation with the UNCTAD secretariat.

(f) Expansion of trade in goods and services between the Palestinian territory, Jordan, Egypt and other trading partners: an initiative for subregional cooperation

33. In a move to enable the PA to benefit from the regional programme of UNDP for the Arab States, and at the request of UNDP, UNCTAD presented a proposal to the UNDP meeting held in Geneva on 17-18 March 1997 to discuss with national focal points the RBAS/UNDP regional project RAB/96/001 - "Support to the Arab States and the Palestinian Authority in their Pursuit of Economic and Social Reform and Multilateral Economic Cooperation". The proposal, entitled "Expansion of trade in goods and services between the Palestinian territory, Jordan and Egypt and other partners: an initiative for subregional cooperation", was endorsed by the parties concerned. It is intended to build upon the achievements of the peace process since 1993 by consolidating and concretizing the accords reached among the three partners regarding trade procedures, involvement of private and public sectors,

promoting complementarities, and streamlining trade-related services and operations. In particular, a range of services and infrastructural facilities support at both national and subregional levels, need to be developed and supported with the view to expanding trade and promoting economic cooperation. The PA Ministry of Economy and Trade is currently seeking funding for this project, in consultation with the UNCTAD secretariat.

C. Recent analytical activities and future work programme of the secretariat on assistance to the Palestinian people

34. Parallel with operational activities, the secretariat has continued its analytical work on some important issues confronting the Palestinian economy. The aim has been two-pronged - to assist policy makers in the choice of policy measures required to deal with pressing issues and, to provide the necessary substantive basis for the orientation, development and implementation of the secretariat's operational activities. Four analytical studies undertaken during the 1996-1997 biennium comprise:

- "Prospects for sustained development of the Palestinian economy: strategies and policies for reconstruction and development" (UNCTAD/ECDC/SEU/12). Bearing in mind the emergence of the new environment, the study commences with an examination of the tasks of independent development, followed by an analysis of the macroeconomics of sustainable growth as well as issues related to structural transformation. The study concludes by drawing an agenda for action.

- "Private investment in the Palestinian territory: recent trends and immediate prospects (UNCTAD/ECDC/SEU/13). The study deals with: a review of major recent developments affecting private investment, including the regulatory framework, policy environment, trade and financial regimes and their recent performance; an examination of the main supportive capacities and services important for private investment; analysis of the scale, composition and impact of private investment in the economy; and, prospects and policy options relevant to the future direction and magnitude of private investment in the Palestinian territory.

- "Challenges and opportunities for Palestinian external trade" (forthcoming, 1997). This study begins by examining the role of the trade sector in the Palestinian economy and its potentials for the domestic, regional and global markets, followed by an analysis of the sector's performance since 1993, including identification of problem areas and needs covering a wide range of issues that call for domestic and international action, including policy measures and technical assistance.

- "The Palestinian economy in the context of regional economic cooperation" (forthcoming 1997). This study commences with an analysis of developments since 1993 and achievements of the peace process and their implications for closer economic cooperation with emphasis on reintegrating the Palestinian economy into the region. Following a brief examination of some conceptual aspects

of regional economic cooperation and integration, prospects for Palestinian economic cooperation with countries in the Arab hinterland are investigated within the context of Arab economic cooperation agreements. This is followed by an examination of prospects for economic cooperation between the Palestinian territory and Israel. The study also examines opportunities and challenges for the Palestinian economy in the emerging global setting, and concludes with a plan of action outlining strategies and policies for consideration by the PA in cooperation with its trading partners.

35. As for the substantive orientation and direction of UNCTAD's future assistance to the Palestinian people, the secretariat will be guided by the provisions of UNCTAD's subprogramme 9.1, as outlined in the United Nations Medium-Term Plan for the period 1998-2001. As such, it will "continue the work of UNCTAD, in accordance with its mandate, in assisting the Palestinian people to develop capacities for effective policy-making and management pertaining to international trade, investment and related services". 17/ Accordingly, while investigating and analysing main issues confronting the Palestinian economy, emphasis in the 1998-1999 Programme Budget has been largely focused on the rendering of technical assistance to the Palestinian people in priority areas within the framework of UNCTAD's Programme of Technical Cooperation Activities. Particular attention will be given to meeting the outstanding priority requests of the PA in areas outlined above. In meeting these demands and intensifying efforts in other priority areas, the secretariat seeks the active support of multilateral and bilateral sources of funding to mobilize the required extrabudgetary resources.

Notes

1/ This mandate originates in Conference resolution 146 (VI), the Cartagena decision and General Assembly decision 47/445. In accordance with the relevant General Assembly resolutions, references in this report to the "occupied territory" or the "Palestinian territory" or "the territory" pertain to the occupied Palestinian territory (i.e., the Gaza Strip and the West Bank, including east Jerusalem).

2/ These include the Declaration of Principles on Interim Self-Government Arrangements (of 13 September 1993), the Agreement on the Gaza Strip and the Jericho Area (of 4 May 1994) and the Israeli-Palestinian Interim Agreement on the West Bank and the Gaza Strip (of 28 September 1995), including the Protocol on Economic Relations annexed to the latter two accords.

3/ See "Developments in the economy of the occupied Palestinian territory" (TD/B/42(1)/8) and "Private investment in the Palestinian territory: recent trends and immediate prospects" (UNCTAD/ECDC/SEU/13).

4/ See statement by Mr. Yasser Arafat, Chairman of the Executive Committee of the PLO, President of the Palestinian National Authority to the meeting of the Consultative Group of Donors, November 1996 and Economist Intelligence Unit "The occupied territories", Country report, 4th Quarter 1996.

5/ The report by the Palestinian National Authority, Ministry of Economy and Trade regarding the UNCTAD/UNDP workshop on "The emerging international trading system and its implications for the Palestinian economy" (2-6 March 1997) states that "a differentiation should be made between the short-term conditions imposed by the Paris Protocol and the long-term need to formulate strategies and policies in the context of final status negotiations".

6/ This refers to Lists "A" and "B" of imports from Jordan, Egypt and other countries for which the Palestinian Authority can pursue an independent tariff regime from that agreed in the Protocol with Israel which stipulates that Israeli customs policy and tariffs apply to the bulk of Palestinian imports.

7/ Financial Times, 5 June 1997, quoting figures provided by the Palestinian Authority, Ministry of Planning and International Cooperation.

8/ Some estimates of economic performance for the period 1993-1996 draw on official Palestinian, Israeli and other primary sources using various methodologies. Such estimates, based on data provided by different PA sources, have been published or otherwise compiled since 1995 by four sources, namely: International Monetary Fund, World Bank, Office of the United Nations Special Coordinator in the Occupied Territories and United Nations Economic and Social Commission for West Asia. Recently, the Palestinian Central Bureau of Statistics (PCBS) published the first Palestinian national accounts series, for the year 1994, based on field surveys and in accordance with the standard System of National Accounts (SNA 1993), in National Accounts - 1994: preliminary estimates, (PCBS, Ramallah, 1997). PCBS data provide estimates for economic aggregates which diverge from other available estimates for the same year. While the latter estimates differ as to the levels, rates of change and inter relation between major economic aggregates, they provide generally higher, and structurally different, indicators than implied by the PCBS data. Projections for 1991-1996, prepared by the UNCTAD secretariat on the basis of historic trends and underlying structural features of the economy, provide another set of estimates. For 1994, these are close in absolute terms to, and share some features with, PCBS data. As such they are equally indicative as available estimates.

9/ Figures quoted in subsequent paragraphs refer to the Palestinian economy in the Gaza Strip and West Bank, excluding east Jerusalem, for which data is not available.

10/ PCBS, Labour Force Survey: Main Findings, Nos. 1-3 (PCBS, Ramallah, 1996).

11/ The lower figure is based on extrapolation of data published in "Evaluation of the losses of the Palestinian economy as a result of the closure, 2/25-4/4/1996", PCBS, Ramallah, 9/4/96 (in Arabic). Higher figures, of over $1 billion, have been quoted by some Palestinian officials.

12/ UNESCO, "Economic and social conditions in the West Bank and Gaza Strip, Quarterly report, Winter-Spring 1997", Gaza, April 1997.

13/ Data for 1981 is from "Selected statistical series on the balance of payments, foreign trade, population, labour force and employment of the occupied Palestinian territory (West Bank and Gaza Strip), 1968-1987" (UNCTAD/DSD/SEU/1). Estimates in Table 1 for merchandise trade with Israel and estimates for 1992-1994 on trade with the rest of the world are calculated from Israel Central Bureau of Statistics, Israel's balance of payments, (Jerusalem, ICBS, January 1997) and Israel Statistical Abstract 1996 (Jerusalem, ICBS, 1997). Estimates for 1995-1996 on trade with the rest of the world are based on data provided by the PA Ministry of Economy and Trade as well as tables provided by Egypt Ministry of Foreign Affairs, Palestine Affairs Department (on trade with Egypt) and information provided by Jordan Ministry of Foreign Affairs, Palestinian Affairs Department, including a report prepared by Amman Chamber of Commerce, published in Al-Ouds, 27/11/96 (in Arabic) (on trade with Jordan, excluding transit trade).

14/ The recent policy debate on issues affecting Palestinian external trade has been addressed in recent UNCTAD studies (see Part II, Section C. below) and in a number of studies published by the Palestine Economic Policy Research Institute (MAS): The Palestinian-Israeli Trade Arrangements: searching for fair revenue sharing (MAS, Ramallah, 1995); Trade relations between Palestine and Israel: free trade area or customs union (MAS, Ramallah, 1996); and, Trade policy options for the West Bank and Gaza Strip, (MAS, Ramallah, 1997).

15/ For further information on the objectives, substantive scope, and specific priority areas and corresponding activities, reference may be made to "A programme of technical cooperation activities in support of Palestinian trade, finance, and related services" (UNCTAD/ECDC/SEU/11) 1995.

16/ Most recently in General Assembly resolution 51/150 of 13 December 1996.

17/ "Medium-term plan for the period 1998-2001 as revised by the General Assembly at its fifty-first session" (A/51/6/Rev.1, para. 9.13 (e)).

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REVIEW OF TECHNICAL COOPERATION ACTIVITIES OF UNCTAD

Report by the Secretary-General of UNCTAD

Overview of technical cooperation activities (TD/B/44/11)

Annex 1 - Review of activities undertaken in 1996 (TD/B/44/11/Add.1)

Annex 2 - Statistical tables (TD/B/44/11/Add.2)

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OVERVIEW OF TECHNICAL COOPERATION ACTIVITIES

CONTENTS

		Paragraphs
Introduction		1 - 3
Summary		4
I.	Overview of activities in 1996	5 - 23
II.	Strategy and plan for technical cooperation	24 - 30
III.	Partnerships with other organizations	31 - 47
IV.	Financial self-sustainability and cost recovery	48 - 55
V.	Other matters	56 - 60

Tables

		Page
1.	Evolution of UNCTAD's total technical cooperation expenditures, by source of funds in US$ million (1990-1997)	5
2.	Technical cooperation expenditures, 1992-1996: by LDCs, by region and by programme	5
3.	Technical cooperation activities, by Division/Programme, 1996; Expenditures as at 31 December 1996	7
4.	UNCTAD trust fund contributions, by category (1983-1996)	9

Figures

1.	Expenditure by region, 1996	4
2.	Expenditure by source of funds, 1996	8
3.	Origin of trust fund contributions, 1996	9

INTRODUCTION

1. This report seeks to facilitate the Trade and Development Board's annual policy review, pursuant to paragraph 107(b) of "A Partnership for Growth and Development" adopted by UNCTAD IX, of the technical cooperation activities of UNCTAD.

2. The report is also submitted to the Working Party on the Medium-Term Plan and Programme Budget for its forthcoming review of the technical cooperation activities undertaken by UNCTAD in 1996. The results of the Working Party review will be before the Board.

3. The report consists of three parts:

- An overview of the technical cooperation programme, including information on recent developments and recommendations on policy issues. The Board is invited to focus its attention on this document;

- Annex I containing a programme-by-programme description of activities undertaken in 1996, together with the corresponding project list. The Working Party is invited to base its review on this document; and

- Annex II containing statistical information on UNCTAD's technical cooperation.

SUMMARY

4. Recent highlights in UNCTAD's technical cooperation include:

- continued growth in activities represented by delivery in 1996 of 169 person years of technical assistance, organization of seminars and workshops for training and human resource development, further enhancement of UNCTAD's software programs; implementation of some 350 projects, and a 20 per cent increase in trust fund contributions received in 1996;

- a technical cooperation strategy adopted by the Trade and Development Board, the first such comprehensive policy statement in UNCTAD;

- the first three-year plan for technical cooperation, adopted in 1997, representing the first opportunity to apply the priorities in this field established at Midrand;

- focus on least developed countries (LDCs), i.e. an increase in the share of LDCs in overall delivery, the priority accorded to LDCs by the strategy and the establishment of the LDC trust fund;

- deepening of cooperation with other organizations engaged in trade-related technical cooperation, particularly WTO and ITC.

I. OVERVIEW OF ACTIVITIES IN 1996

Trends in delivery

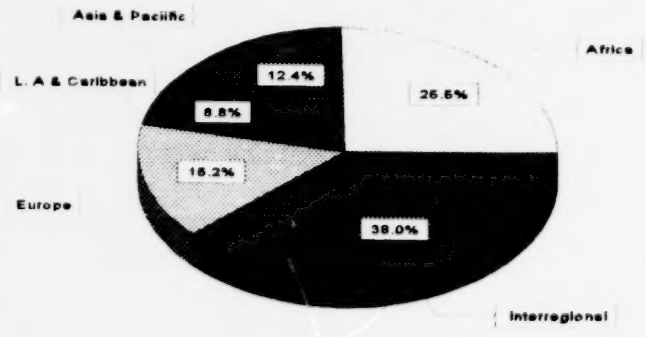
5. UNCTAD's total technical cooperation expenditures from all sources amounted in 1996 to US$22.4 million, an increase over the previous high in 1995 of $22.0 million. Overall, the level of annual expenditures in nominal terms in the 1990s has been maintained at around $20-24 million. In 1997 the figure is expected to increase by about 10 per cent to around $24 million (table 1).

6. As table 1 shows, there has been a continuing decline in the share of expenditures originating from UNDP, matched by an increase in trust fund contributions. Paragraphs 15 to 23 discuss resource mobilization issues against this background.

7. Table 2 provides information on expenditures for least developed countries and on regional and programme shares, for the period 1993-1996. The LDCs' share in 1996 amounted to 31 per cent of total technical cooperation expenditures, up from the 1995 low of only 27 per cent. This relative share is expected to increase to around 40 per cent by 1999, in implementation of UNCTAD IX and of the UNCTAD technical cooperation strategy that assigns priority to LDCs. The trust fund for LDCs is now operational, new programmes for LDCs have recently been launched and others are available for funding.

8. Table 2 and figure 1 also show the distribution of expenditures by region. In absolute terms, expenditures in the African region registered a modest increase in 1996 over 1995, while Asia and the Pacific region and Latin America and the Caribbean registered a slight decline in 1996. The share of the interregional programme increased. Expenditures in the Eastern European transitional economies showed a slight increase in 1996 over 1995, reaching a level of 15 per cent; such expenditures are expected to decline in 1997 and thereafter.

Figure 1: Expenditure by region, 1996



9. Table 3 details the 1996 expenditure by programme, according to the present structure of the secretariat. The Division on Services Infrastructure for Development and Trade Efficiency (SITE)

Table 1

Evolution of UNCTAD's total technical cooperation expenditures, by source of funds in US$ million (1990-1997)

	1990	1993	1994	1995	1996	1997*
UNDP	17.4	10.9	10.8	7.8	6.1	7.5
Trust funds	3.6	8.8	10.0	13.4	15.8	16.0
Regular programme	0.6	0.6	0.5	0.8	0.5	0.5
Total	21.6	20.3	21.3	22.0	22.4	24.0

* Forecast as of June 1997.

Table 2

Technical cooperation expenditures, 1992 - 1996: by LDCs, by region and by programme a/
(In thousands of US$)

	1993	1994	1995	1996
I. TOTAL	20 280	21 395	21 953	22 440
II. LDCs Total	7 215	6 827	6 018	6 988
III By region:				
- Africa	5 677	4 856	5 232	5 724
- Asia & Pacific	3 648	3 888	3 157	2 788
- Latin America & Caribbean	2 262	2 864	2 512	1 978
- Europe	412	1 569	2 949	3 421
- Interregional	8 281	8 218	8 103	8 529
IV. By programme:				
- Globalization and Development Strategies	1 966	2 505	2 590	2 889
- International Trade in Goods and Services, and Commodities	4 012	4 655	2 653	3 008
- Investment, Technology and Enterprise Development	792	1 665	2 180	2 812
- Services Infrastructure for Development and Trade Efficiency	9 971	9 923	11 528	12 536
- Least Developed, Landlocked and Island Developing Countries	1 130	484	427	163
- Executive Direction and Management, and Support Services	2 250	2 162	2 570	1 032

accounted in 1996 for 56 per cent of total technical cooperation expenditures. The three other Divisions, viz. International Trade in Goods and Services and Commodities (DITC), Globalization and Development Strategies (GDS) and Investment, Technology and Enterprise Development (DITE), each represented about 13 per cent of total expenditures. The balance (5 per cent) was represented by the Office of the Special Coordinator for LDCs and by activities reported for the secretariat as a whole.

10. Within SITE, the programme on customs reform and automation (i.e. the Automated SYstem for CUstoms DAta - ASYCUDA) constituted about 60 per cent of the Division's activities in 1996 (expenditures totalling $12.5 million). This programme continues to attract demand from interested beneficiary countries, and is supported by a broad range of donors. Reports from one country[1] installing ASYCUDA indicate a dramatic increase in customs revenue (at least $215 million on an annual basis at just one customs entry point). It is anticipated that additional countries are expected to request UNCTAD's support for customs reform and automation. The Global Trade Point Network will also continue to expand as regards both the number of participating trade points and the nature of services provided. Other significant SITE activities include, as in earlier years, port management in Somalia, the development and implementation of the Advance Cargo Information System (ACIS) programme and the TRAINMAR programme.

11. DITC's technical cooperation has focused on the strengthening of trade capacities, assistance in dealing with international trading system issues, training and human resource development, and trade information, much of which now associated with assisting countries in the implementation of various results of the Uruguay Round. A number of countries, including China, the Russian Federation and Viet Nam, were assisted in the process of their accession to WTO. The TRAINFORTRADE programme continued to develop a number of training packages, with particular emphasis on international commercial diplomacy. There was further dissemination of the CD-ROM database on trade-control measures designed to enable users to search for, sort and analyse complex trade data in a manner not possible in a traditional library.[2]

12. Work in the area of commodities covered such issues as advice and training on commodity price risk management, the promotion of commodity exchanges in developing countries and the sustainable management of natural resources. Technical cooperation activities in the area of "trade, environment and development", as well as in competition law and policy, continued to respond to specific requests. It is expected that UNCTAD will be requested to provide expanded assistance as trade-related environment and competition issues take on new importance. However, the capacity to do so will depend critically on the mobilization of the necessary extrabudgetary resources.

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[1] The Philippines, where the ASYCUDA installation is financed by the Government, drawing on a World Bank loan.

[2] The World Bank has reported that it will save annually hundreds of thousands of US dollars by discontinuing its collection of trade data and relying instead on the UNCTAD database.

Table 3

Technical cooperation activities, by Division/Programme, 1996:

Expenditures as at 31 December 1996

(In thousands of US$)

DIVISION	1996				
	UNDP (1)	TRUST FUNDS (2)	REGULAR PROGRAMME (3)	TOTAL (1 + 2 + 3)	%
GDS: Total	612	2 277	-	2 889	12.9
Macro-economic and Development Policies	(16)	325	-	309	1.4
Globalization, Development and Debt Management	628	1 870	-	2 498	11.1
of which: - DMFAS Programme	*628*	*1 757*	-	*2 385*	*10.6*
Special Programmes	-	82	-	82	0.4
DITC: Total	969	2 038	-	3 008	13.4
Trade Analysis and Systemic Issues	878	839	-	1 717	7.7
Commodities	1	312	-	313	1.4
Trade, Environment and Development	77	326	-	403	1.8
Competition Law & Policy and Consumer Protection	14	104	-	117	0.5
TRAINFORTRADE	-	457	-	457	2.0
DITE: Total	829	1 983	-	2 812	12.5
International Investment, Transnationals and Technology Flows	243	525	-	768	3.4
National Innovation and Investment Policies	424	1 023	-	1 447	6.5
Enterprise Development	161	435	-	597	2.7
SITE: Total	3 296	9 240	-	12 536	55.9
Trade Infrastructure	3 272	7 209	-	10 481	44.6
of which: - ACIS	-	*1 773*	-	*1 773*	*7.9*
- Ports, Shipping and Training	*818*	*322*		*1 448*	*5.1*
- ASYCUDA	*2 389*	*5 101*	-	*7 490*	*33.4*
Business Facilitation	9	267	-	276	1.2
Services for Development	0	826	-	826	3.7
Global Trade Point Network (GTPNet)	15	938	-	953	4.2
EDM: Total	412	83	538	1 032	4.6
LDC: Total	12	150	-	163	0.7
GRAND TOTAL	6 130	15 772	538	22 440	100.0

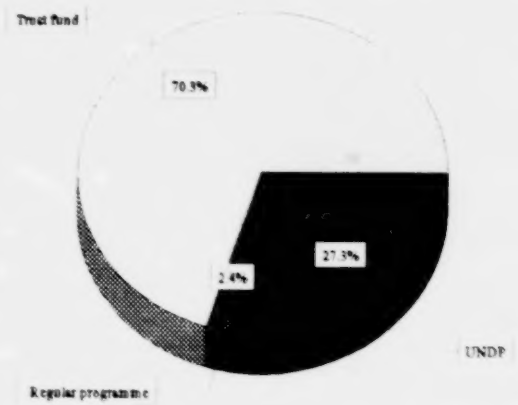
13. Support for debt management, through the promotion and installation of the Debt Management and Financial Analysis System (DMFAS) programme, represented over four-fifths of the technical cooperation activities of GDS in 1996. DMFAS activities, which are strongly supported by beneficiaries and donors, focused on the refinement and installation of the new version of the system ("DMFAS 5.0"), replacing the old 4.1 version. In 1996, seven new countries joined the list of DMFAS client countries, which now number nearly 40. Assistance continued to be provided to interested countries on Paris Club issues. Other GDS activities carried out in 1996 included the further examination of the legal issues of a global greenhouse gas emissions trading system, which contributed to growing international acceptance of such a system.

14. DITE's technical cooperation activities were carried out within the framework of three subprogrammes, namely national innovation and investment policies (52 per cent of the Division's activities), international investment, transnationals and technology flows (27 per cent), and enterprise development (21 per cent). Under the first component, UNCTAD assisted interested countries in attracting foreign investment through training and advice on specific investment issues - for example, the regulatory framework - and initiated policy reviews on investment and on technology and innovation. Activities under the second component included work on the preparation of the *World Investment Report* and the link between foreign direct investment and trade in services. Under enterprise development, activities focused on the further expansion of the EMPRETEC programme aimed at promoting entrepreneurship and the fostering of SME links with foreign companies. Assistance under the heading of accountancy provided training for the staffs of public and private sector enterprises, particularly in transition economies, in implementing accurate auditing laws and standards according to internationally accepted accounting principles.

Trends in the mobilization of resources

15. UNCTAD's technical cooperation activities are financed from three main sources, namely trust funds, UNDP and the UN regular programme for technical cooperation. As noted in previous reports, UNDP was until a few years ago the main source of support for UNCTAD's technical cooperation programme: as late as 1989, it financed more than 80 per cent of total expenditures, a figure which dropped to 35 per cent in 1995 and to only 27 per cent in 1996 (figure 2). There are a number of reasons for this decline, arising in part from a UNDP decision to decrease the relative shares of funding for UNDP regional and interregional programmes, which have traditionally provided an important source of technical cooperation for trade and development, and in part in changing UNDP priorities originating in the series of recent United Nations conferences that have emphasized social issues.

Figure 2. Expenditure by source of funds, 1996



16. However, recent indications suggest that the downward shift in UNDP funding is likely to be reversed. There is now appreciation of the fact that multilateral technical cooperation for trade and investment can make a substantial contribution to the UNDP agenda of sustainable human development, including poverty alleviation. UNCTAD is recognized for its comparative advantage in dealing with trade-related technical cooperation. Earlier in 1997, UNDP and UNCTAD agreed on a new programme that will seek to promote the effective integration of low-income developing countries in the international economy through increased investment and expanded trade.

Table 4

UNCTAD trust fund contributions by category a (1983-1996)
(In US$)

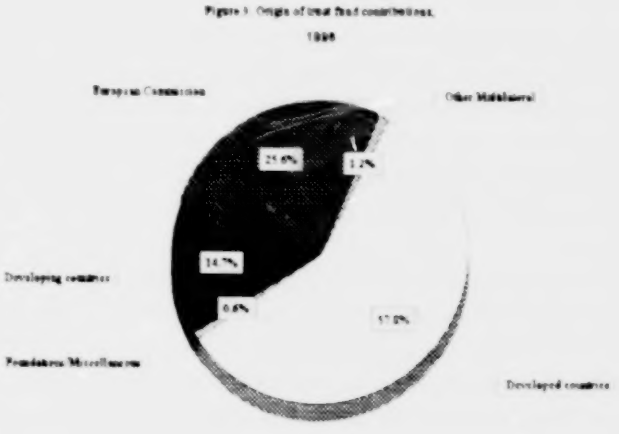
	Category	1992	1993	1994	1995	1996
1	Developed countries' contributions (Of which associate experts)	8 252 (784)	7 856 (632)	10 860 (536)	10 906 (672)	12 732 (518)
2	Developing countries - General contributions	42	174	190	218	1 012
3	Developing countries - Self- supporting b	396	990	2 686	2 096	2 229
4	European Commission	1 595	444	1 780	4 123	5 634
5	Other "Multilateral" c	-	408	888	297	272
6	Foundations Miscellaneous	130	249	195	243	135
	TOTAL	10 413	10 121	16 608	17 882	22 013

a Exclusive of third-party cost-sharing contributions through UNDP.

b For activities in their own countries, financed from government resources or through loans from the World Bank and regional development banks.

c World Bank, UN, FAO, OECD, UNEP and UNIDO.

17. Trust fund contributions are provided on a voluntary basis by individual governments, organizations, NGOs, the enterprise sector and foundations. Table 4 (see also Annex II for the complete list of contributors) shows the growth in trust fund contributions, by category, over the last few years. A total of $22.0 million was received in 1996, an increase of 22 per cent over the 1995 level. Over 40 governments and a score of organizations contributed to UNCTAD trust funds in 1996 (see figure 3). About 58 per cent of trust fund contributions came from developed countries. Four countries (Denmark, Netherlands, Switzerland and



the United Kingdom) accounted for 38 per cent ($8.3 million) of total trust fund contributions in 1996. The European Commission, which in 1996 provided 25 per cent of total contributions, is now a major source of support for a number of UNCTAD programmes, including ASYCUDA, ACIS, TRAINFORTRADE, TRAINMAR, TRAINS and accountancy training.

18. Developing countries are also increasing their contributions to UNCTAD's technical cooperation, to about 15 per cent of the total in 1996. These contributions take the form of either general-purpose support for other developing countries or "self-financing" arrangements involving the provision of specified services (e.g. ASYCUDA) by UNCTAD in their countries. Such services are generally financed by utilizing the proceeds of loans or grants from the World Bank or the regional development banks.

19. Concern has been expressed that increased reliance on trust fund contributions to finance UNCTAD's technical cooperation may result in donor-driven priorities. The dangers inherent in such an approach may be mitigated by a number of measures, including (i) adhering to the priorities established at UNCTAD IX and reflected in the recently approved technical cooperation strategy, (ii) regarding the plan for technical cooperation as the basis for submissions to donors, (iii) ensuring effective intergovernmental oversight of UNCTAD's technical cooperation programme, (iv) attracting more support from UNDP and other multilateral channels of technical cooperation, and (v) encouraging untied contributions - for example, to the first window of the LDC trust fund. The Board might wish to keep this matter under review.

20. In December 1996, UNCTAD and the Swiss Government agreed to establish an overall bilateral trust fund, with Switzerland agreeing to contribute to UNCTAD's trade-related technical cooperation projects mutually agreed through consultation. Similar types of arrangements have been in place with France, Italy and the Netherlands for a number of years, and have helped to promote improved coherence in UNCTAD's operational activities. Given the satisfactory experience with such arrangements, other governments are invited to consider instituting similar modalities.

21. Also in 1996, the Secretary-General decided to establish a trust fund for the least developed countries to support reform initiatives in the trade and investment sector, including the enhancement of export supply capacities and the mobilization of public and private resources for development. Over $2 million in contributions from both developed and developing countries have been pledged or paid to the trust fund, which is now operational. Most of these contributions are tied to specific projects for LDCs. Untied contributions have been used, in 1997, for the development of UNCTAD-wide integrated country programmes in selected LDCs (see section V below).

22. Prospects for the future sustainability of trust fund activities are never certain, given the project-specific nature of such funding arrangements. As noted earlier, a limited number of countries contributed the bulk of the developed country financing of trust funds. There is scope for broadening and diversifying such support, commensurate with the required support of LDCs' and of other low-income countries' initiatives and efforts. There is also a need, in as many donor countries as possible, to prioritize more clearly low-income countries in activities financed by bilateral or multilateral trust funds that require intensive support for human resource development and institution-building.

23. UNCTAD benefited in 1996, as in previous years, from contributions from several donors for associate experts provided by the donor country or recruited from developing countries. The experience has been beneficial both for UNCTAD's technical cooperation programmes and for the individual associate experts, who have made valuable contributions while enhancing their own experience and awareness of development problems. UNCTAD will continue, and where possible expand, the associate expert programme, particularly by seeking support for associate experts from developing countries.

II. STRATEGY AND PLAN FOR TECHNICAL COOPERATION

24. UNCTAD IX, in paragraph 96 of the final document of the Conference, requested the Board to "set out a strategy for the coherence of regular and extra-budgetary programmes that seeks to strengthen the linkages between analytical work and technical cooperation". The Board adopted the Strategy (TD/B/EX(14)/3) at its fifteenth executive session in June 1997.

25. The purpose of UNCTAD's technical cooperation, according to the Strategy, is to promote the integration of developing countries and countries with economies in transition into the world economy and to assist governments in creating and strengthening the policy and institutional environment for development. Key elements of the strategy include:

- the **demand-driven nature** of UNCTAD's technical cooperation,
- focus on **human and institutional capacity-building**,
- priority given to **least developed countries,** with an increase incrementally in their share of technical cooperation in absolute and relative terms;
- **integration** of technical cooperation with UNCTAD's analytical work and in support of intergovernmental deliberations,
- **flexibility** in the **forms** of technical cooperation and in the **modes of delivery**,
- emphasis on **cooperation - or partnership** - with other organizations, and
- **coherence** among UNCTAD activities in a given programme area and/or country/region.

26. In subsequent reports to the Board and the Working Party on technical cooperation, the Secretary-General will provide information on the implementation of the Strategy.

27. Also in paragraph 96, the Conference invited the Board to consider annually "an indicative rolling three-year plan for technical cooperation". The Board, at its fourteenth executive session in March 1997, took note of the first-three year Plan, for 1997-1999, prepared by the secretariat. The

Plan lists ongoing and new or proposed activities, by programme. Inclusion of new proposals was based on one or more of the following considerations:

- a request from a beneficiary country, accepted by the secretariat subject to the mobilization of the necessary funds;

- implementation of action requested by UNCTAD IX, the Board or a Commission; or

- implementation of the work programme set out in the revised narrative for the 1996-1997 programme budget.

28. The Plan provided for expenditures of some $68 million over the three years, compared with about $22 million in 1996. It is anticipated that over the period of the Plan as a whole, activities in LDCs will show an increase from the present level of about 30 per cent to 40 per cent by 1997. Activities in Africa and in Asia/Pacific would increase in relative terms, while those in Latin America/Caribbean and in Central and Eastern Europe would decline, particularly in the latter region.

29. Technical cooperation activities for *services infrastructure and trade efficiency* would continue to constitute about half of the overall programme, followed by *trade in goods and services and commodities; investment, technology and enterprise development*, and *globalization and development strategies*. The plan proposes action related to the priority areas set out in paragraph 97 of the final document of UNCTAD IX:

- support for the integration of developing countries and countries in transition into the international trading system through enhancing institutional and human capacities, including the strengthening of export supply capacities in LDCs and other low-income countries, assistance in acceding to WTO, work in the area of trade and the environment and competition policy, and the use of commodity risk management instruments;

- supporting the formulation of national policies, through national reviews of investment, science and technology, enterprise development, and national assessments of trade efficiency;

- further enhancement and dissemination of UNCTAD's information technology programmes for customs automation, debt management, cargo tracking, the trade point programme, and trade and investment data banks; and

- increased support for training and human resource development programmes for trade and investment.

30. It is envisaged that improvements will be made to the quality of information presented in the Plan, so as to disseminate to beneficiaries information on UNCTAD's technical cooperation, to facilitate discussions with potential donors and to enhance internal monitoring. This might include,

for example, additional financial data and short descriptions of all *new* proposals. The Working Party is invited to review this matter at its forthcoming session, on the basis of which the next rolling three-year plan, 1998-2000, could be prepared for consideration by the Trade and Development Board in executive session later in the year.

III. PARTNERSHIPS WITH OTHER ORGANIZATIONS

31. Information in this section covers cooperation with other organizations as regards technical cooperation during 1996 and the first part of 1997. This section should be read in conjunction with document TD/B/EX(14)/2 entitled "UNCTAD's cooperation with international organizations in the field of trade and development", issued in March 1997 and discussed at the fourteenth executive session of the Trade and Development Board. The information included in this section is complemented by that provided in Annex I, which contains the programme-by-programme descriptions of UNCTAD's technical cooperation activities.

32. Because of its role as the focal point within the United Nations system for the integrated treatment of development and interrelated issues in the areas of trade, finance, investment, technology, services and sustainable development, UNCTAD needs to cooperate closely with other organizations.

33. A number of mechanisms are available to facilitate joint cooperation, and UNCTAD has intensified its efforts to develop the most appropriate joint arrangements to respond to substantive needs and circumstances. These have taken the form of ad hoc inter-agency task forces, steering committees, letters/memoranda of understanding, and formal agreements.

34. UNCTAD's increasing cooperation on operational activities with ITC and WTO has been a major feature of the last year or so. In late 1995, the Government of Switzerland hosted a seminar - as part of the preparations for UNCTAD IX - on coordination among the main trade-related technical cooperation organizations. At UNCTAD IX, the heads of ITC, WTO and UNCTAD launched an integrated technical cooperation programme for Africa: so far joint missions have been undertaken in eight African countries, four of which are LDCs. Technical cooperation programmes have been prepared for each of these countries, and funding is being mobilized for implementation. Also at UNCTAD IX, a note was circulated describing the technical cooperation programmes of the three organizations.

35. The Singapore Ministerial Declaration called on UNCTAD, WTO and ITC to hold a high-level meeting on the trade development of LDCs, with the support of the World Bank, UNDP and the IMF. The meeting, which will take place in October 1997, is expected to launch an integrated approach to trade-related technical cooperation for the LDCs.

36. Two other developments deserve mention. First, a specific example of country-level coordination of trade and investment related technical cooperation is under way in Viet Nam. This is being undertaken through the modalities of a UNDP-Swiss-financed and UNCTAD-implemented project designed to facilitate Viet Nam's integration into the international trading system. Second, the Development Assistance Committee of the OECD organized an expert meeting in March 1997 - with

UNCTAD's participation - to recommend how bilateral and multilateral aid programmes could support trade development in low-income countries. The forthcoming high-level meeting on the trade development of LDCs will provide the opportunity to build on the increased interest in trade and investment related technical cooperation.

37. ITC. Cooperation with ITC continues to focus on the trade efficiency programme. An inter-agency task force on the matter comprising UNCTAD, ITC and the Economic Commission for Europe (ECE) meets every two months. ITC contributes to the trade point programme. In addition, efforts are being made to strengthen collaboration with ITC in other areas, including training and human resource development, enterprise development, and capacity-building for trade policy and trade promotion policy and implementation. Several projects in these areas are either executed jointly or contain modules executed by the other agency.

38. UNDP. At the last session of the Board, delegations encouraged greater collaboration between UNDP and UNCTAD. In response to a direct proposal from the UNDP Administrator for a joint UNDP/UNCTAD programme, both organizations have agreed on policy-related work and operational follow-up designed to enhance the trade and investment dimension of sustainable human development and poverty alleviation. Information on other areas of UNDP/UNCTAD cooperation is contained in Annex I.

39. UNIDO. The Executive Heads of UNCTAD and UNIDO signed in July 1996 a communique launching a joint programme to help African countries improve the environment for investment flows and transfer of technology, and strengthen their business capacities. The programme aims at strengthening the complementarity between the two organizations by focusing on science and technology, investment promotion and enterprise development. A pilot-seminar on investment in LDCs organized jointly by UNCTAD and UNIDO took place in Geneva from 23 to 25 June 1997.

40. The World Bank. The first of a planned series of regular meetings between the World Bank and UNCTAD took place in Geneva in October 1996, covering both cooperation on research issues and operational activities. Agreement was reached to put the two organizations' ad hoc cooperation on a more institutional footing. The Bank supports UNCTAD's Debt Management and Financial Analysis System (DMFAS) through a joint programme. It relies heavily on UNCTAD's trade data. Together with the Bank, UNCTAD is handling the UNDP-funded Expansion of Foreign Direct Investment and Trade in Services (EFDITS) technical cooperation project. Bank borrowers utilize UNCTAD to provide a variety of services (see paragraph 18).

41. WTO. Cooperation between WTO and UNCTAD exists also in relation to other trade matters, and in particular as regards assistance to countries acceding to the WTO. In this connection, UNCTAD and WTO jointly participate in seminars, workshops and advisory missions for countries which are acceding to WTO or planning to do so.

Regional Commissions

42. At a meeting held in July 1997, the Secretary-General of UNCTAD and the Executive Secretaries of the five regional commissions agreed to seek new and additional ways of enhancing their joint collaboration in the areas of trade, investment and transport. Progress will be reported to the Board in 1998. The following paragraphs describe existing arrangements.

43. ECA. Collaboration derives from the implementation of the special programmes on Africa that originate from the General Assembly as well as the United Nations System-wide initiative on Africa. UNCTAD and ECA signed in May 1997 a Framework of Cooperation which contains concrete proposals for future collaboration between the two organizations. In particular, they will collaborate in the follow-up to the First WTO Ministerial Conference and in activities to help African countries adequately prepare for the Second WTO Ministerial Conference, to be held in 1998. UNCTAD participated in the twenty-third meeting of the Conference of Ministers of ECA (May 1997), including in the high-level panel of the Conference. It is contributing to the preparation of the conference of African Ministers of Transport, to be convened by ECA in Cairo in November 1997.

44. ECE. As mentioned above, UNCTAD, ITC and ECE cooperate closely in the area of trade efficiency. There is also extensive cooperation as regards trade and transport issues, including cooperation in rehabilitation of trade among the CIS countries and improving transport and transit-transport in Eastern Europe and Central Asia. A meeting was held jointly by UNCTAD/ECE and the International Road Transport Union (IRU) from 5 to 7 May 1997 to discuss how advanced information technologies (IT) can be used to solve major transit problems.

45. ECLAC. UNCTAD and ECLAC are identifying the specific trade and investment issues that lend themselves to increased cooperation at the regional and global levels.

46. ESCAP. UNCTAD collaborates with ESCAP (as well as WIPO, ITC and the World Bank) in the UNDP-financed Asia Programme on Trade and Investment during the fifth cycle (1992-1997). UNCTAD is responsible for the trade policy component. Past collaboration has largely taken the form of regional seminars on a range of topics, including post-Uruguay Round issues. The UNCTAD/ESCAP Conference on Information Technology and Electronic Trading, held in Bangkok in May 1997, contributed to the expansion of the Global Trade Point Network (GTPNet).

47. ESCWA. At the time of preparing this report, ESCWA and UNCTAD were discussing a memorandum of understanding that sets out the main areas of cooperation.

IV. FINANCIAL SELF-SUSTAINABILITY AND COST RECOVERY

48. Questions related to the financial self-sustainability of some of UNCTAD's technical cooperation programmes have been under consideration for some time. The general argument is that some element of cost-sharing or cost recovery from beneficiaries is necessary in certain programmes, so as to ensure their financial sustainability. Several donors have indicated that they are ready to consider continued support for successful and relevant programmes on that basis.

49. In their 1994 review of UNCTAD's technical cooperation, two independent consultants (Dame Margaret J. Anstee and Leelanda de Silva) went further and envisaged the possible establishment of a consultancy firm, closely associated with UNCTAD, "which would be entrusted with the task of development and sale of computer software and other computerized systems" (TD/B/40(2)/14, paragraph 136). The Board, as part of its technical cooperation policy review, invited the secretariat to hold consultations on the terms of reference for a feasibility study on this subject and welcomed Switzerland's financial support for such a study (paragraph 9(1) of Agreed Conclusions 421 (XLI). The feasibility study was duly undertaken and the consultants' report is available to delegations. The conclusions of the study are referred to in paragraph 52 below.

50. In the meantime, and in the same vein, the Midrand Declaration (paragraph 93 (b)) requested UNCTAD to "explore means to make such programmes as ACIS, ASYCUDA, TRAINMAR, TRAINFORTRADE and the Global Trade Point Network financially self-sustainable". This point was followed up in UNCTAD's Technical Cooperation Strategy, adopted by the Board in June 1997, which states in paragraph 15 that "the UNCTAD secretariat will continue its exploration of making selected programmes financially self-sustainable with a view to presenting its proposals in 1997" (TD/B/EX(14)/3).

51. The technical cooperation programmes mentioned in paragraph 93(b) of the final document of UNCTAD IX (to which should be added DMFAS) comprise activities at the national and regional levels financed exclusively from extrabudgetary resources. At the central level, the secretariat backstopping is provided through both extrabudgetary and regular resources. Central support is needed in the case of computer systems, for the purpose of software development and enhancement and to maintain the systems, as well as for database management (e.g. in the case of TRAINS). In the case of training programmes, support is necessary for the development of new training packages and other pedagogical tools. All these activities, as well as other central functions such as demonstrations and promotion of the systems, have so far been made possible with the generous support of donors acting through interregional projects. Several donors, while continuing to be supportive of UNCTAD's work in these areas, have indicated their wish for an understanding of how some of the programmes could be made financially self-sustainable.

52. In the light of the above, and in particular taking into account the findings of the feasibility study by the consultants mentioned above, it would appear the idea of an autonomous consulting company does not seem to be feasible in the foreseeable future. UNCTAD could, however, introduce or systematize some measure of business orientation and cost recovery in selected operations. The specific programmes concerned would in the first instance be ACIS, TRAINS, ASYCUDA, DMFAS and GTPNet.

53. In order to give practical effect to this business/cost recovery approach the following arrangements are being proposed, subject to their approval by United Nations headquarters. In some instances the arrangements constitute elaborations of practices already current.

(a) In the case of established software programs (DMFAS, ASYCUDA, ACIS):

- Part of the earlier software development costs would be recouped from *new* users. Thus, a contribution would be requested whenever new projects are negotiated, which would be fully used for further system enhancements.

- A maintenance contract (corresponding to "user fees") would be proposed to existing (and new) users. In return for entering into such a contract, the client would be entitled to receive certain minimum services of software maintenance and updates, including through a "hot line" service.

- The contributions received from the above sources would be credited to the corresponding "central team support" trust fund project for the programme concerned, which would be established and managed like other technical cooperation trust funds.

(b) In the case of TRAINS, a trust fund was established in 1991 to receive contributions for the development, maintenance and dissemination of the database. Consideration is being given to the establishment of other trust funds for similar purposes, including a trust fund for GTPNet. It is proposed to make services/access to data increasingly available to users against contributions to these trust funds, it being understood that such contributions can be financed in a variety of ways, including through aid programmes.

54. In all the above arrangements, standard scales of contributions would be established taking into account the value of the services provided, market conditions, and the users' to pay.

55. It should be noted that even when all these arrangements are put in place, the contributions received will not be expected to fully cover the cost of running the programmes concerned. A mixture of funding will continue to be required to ensure the financial sustainability of the programmes. Such funding could be drawn from continued extrabudgetary contributions from donors and allocations from support cost income available to UNCTAD (see section V below). In addition, the programme budget of the United Nations will continue to support such programmes in accordance with agreed priorities, in order to promote the interaction between the regular work of the secretariat and operational activities set out by UNCTAD IX and by the strategy for UNCTAD's technical cooperation.

V. OTHER MATTERS

Integrated country programmes for least developed countries

56. Following its discussion on least developed countries at its forty-third session in October 1996, the Board noted that the "integration of LDCs into the world economy ... would entail the development of export capacities to produce tradeable goods and services on a competitive basis. In this regard, the Secretary-General of UNCTAD is encouraged to elaborate UNCTAD-wide integrated country-level programmes for selected LDCs by pooling the contributions of its Divisions, in accordance with the priorities identified by the LDCs concerned".

57. Preparatory work to launch integrated country programmes has been initiated in 1997 in Bangladesh, Cambodia, the Gambia and Madagascar. The nature of such programmes will vary from country to country. In the case of Bangladesh, for example, the work has been carried forward jointly with ESCAP, ITC, UNDP and WTO. In Cambodia, specific activities (on customs automation and trade efficiency) have been started, pending the outcome of a review of technical cooperation for trade and investment that will form the basis for an integrated programme. Together with ITC, UNCTAD has identified a range of possible activities in the Gambia and in Madagascar. This preparatory work has been financed by the LDC trust fund.

Evaluation of technical cooperation programmes

58. Two programme evaluations are currently being conducted of TRAINFORTRADE and DMFAS. Their results will be reported to the Working Party at its forthcoming session.

Management of technical cooperation

59. Technical cooperation in UNCTAD is a collective effort, involving the whole of the secretariat. Divisions have responsibility for the design and preparation of programmes and projects, for their implementation, which requires the exercise of quality control (pursuant to paragraph 23 of the Strategy on Technical Cooperation), for monitoring delivery, and for the achievement of project results. Each project is managed by an officer designated by the divisional director. The Administrative Service certifies all commitments and obligations and their conformity with United Nations rules and regulations. The responsibilities of the unit in charge of Inter-Organizational Affairs and Technical Cooperation include the promotion of an integrated and coherent approach to UNCTAD's technical cooperation, in accordance with paragraph 22 of the Strategy, the submission to donors of project proposals and the preparation of the rolling three-year plan for technical cooperation. An inter-divisional task force on technical cooperation will be established to review overall technical cooperation policy in implementation of the Strategy and to assess developments, for example, regarding resource mobilization or new and innovative modes of delivery.

60. A transparent and equitable policy on support costs has now been introduced, whereby one-half of the support cost income is available for use by the Division responsible for the implementation of the project and one-half is available for use by central services.